Employment Relations (MOD003059)

Lecture: Changing environment, changing psychological contract and implications for ER
Lecture outline

- Context in relation to employment relations
  - Processes and outcomes
  - Internal (organisational) context
  - External (wider environmental) context

- Changing nature of ER context
  - What changes
  - What factors

- Changing context & the psychological contract
  - Defining the psychological contract
  - Old and new psychological contract (what is the difference?)

- Changes in context and employment relations paradigms
Lectures aims

- Examine the main contextual factors that shape employment relations strategy, policy and practice.
- Analyse the economic, political, social and technological changes in past three decades in relation of HRM.
- Evaluate the implications of these changes for the psychological contract and the management of the employment relationship.
Holistic analyses of employment relations requires consideration of:

- the wider local, National and international context within which organisations exist and operate
- Internal organisational context in terms of resources, capabilities and general approach HRM
- The implications of the above for ER processes and outcomes

*Dundon & Rollinson, chp. 3; Blyton & Turnbull, chp. 3*
ER context – a PEST analysis

The Organisation

Employers and managers

Employees and their associations

Employees and their associations

Technological context

Economic context

Socio-ideological context

Political-legal context

Employment relations process and outcomes
Employment relations 
processes and outcomes

- regulation of organisational activities in order to achieve & sustain acceptable performance outcome levels (Barney & Griffin in Dundon and Rollinson, p. 29)

- Includes control over, using various forms (traditional, behavioural, technological, structural and or resourcing (in-put)):
  - Recruitment and selection
  - Training and development
  - Performance and reward management
  - Discipline; etc.

See chapter 2 & 3 of Dundon and Rollinson
Organisational factors

- Employees and their associations:
  - Labour market characteristics of employees
  - Unionised or non-unionised workforce
  - If collective, what is the nature and ideology

- Employers and managers
  - HRM orientation of management
  - Employment relations ideology and style

- Organisational culture and Employment relations climate
  - Organisational ethos
  - Extent to which members are socialised to common sets of values
  - Have bearing on perceptions, expectations of and, therefore, reactions to each other
Political-legal context: The variable degree of government’s role in labour market and by extent, employment relations (direct and or indirect)

Economic context: the overall state of the economy will impact labour market behaviour and therefore, employment relations processes and outcomes

Social-ideological context: value systems and norms of the wider society

Technology: impacts on organisational and therefore employment relations choices and processes and outcomes
The context for ER (1)

Political-legal context: a historical overview of the role of government in ER:

- Period of *laissez-faire* based on *liberal individualist ideology* of the 19th century (Industrial revolution)
- The period of *collective laissez-faire*, prevalent throughout the first half of the twentieth century
- Period of *bargained corporatism* - post-World War II context 1945 to 1979 (*Whitley and Donovan models*)
- The period of *neo-laissez-faire* of the Conservative governments from 1980 to 1997 (*Free market model*)
- The period of *post-laissez-faire* – the third way and *social partnership* (New Labour from 1997–2010).

*See Rose, 2008, chp 4; Dundon & Rollinson, chp. 3*
For more than 3 decades, the economic context of ERs has been defined by:

- A dominant economic ideology of Market liberalism
- Globalisation characterised by MNCs as dominant economic actors
- Structural changes of Western economies
- Therefore, major sectoral changes in labour market participation
Socio-ideological context is defined by:

- Increased individualism reinforced by the ideology of market individualism
- Demographic changes characterised and influenced by:
  - Increase in female paid employment
  - Dual family careers
  - Increase number of older workers
  - Increase migration
The context for ER (4)

Technological developments have influence the context of ERs in a number of ways, including:

- Work organisation (e.g. JIR, BPR)
- Facilitated to growing new international division of labour
- Offshoring of customer services
- Enabled the introduction of various forms of flexibility and flexible employment practices
- Thus, viewed by some as the enabler of “ever increasing intensification of work and job insecurity especially in economies that offer a good degree of social protection for workers.”
What is the ‘psychological contract’

The three contracts in the employment relationships:

- The formal contract: the legal concept of the relationship that is reflected in the employment contract
- Informal contact: the informal organisation often characterised by managerial indulgence and employee acquiescence
- The psychological contract: unvoiced expectations and perceived obligations
## The psychological contract

<table>
<thead>
<tr>
<th>Employee expectations</th>
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<tr>
<td>▪ Safe and pleasant working conditions</td>
<td>▪ Acceptance of organisational values</td>
</tr>
<tr>
<td>▪ Some guarantee of job security</td>
<td>▪ Diligent and conscientious pursuit of important organisational objective</td>
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<td>▪ Some involving in making decisions that affect them</td>
<td>▪ Preparedness to sacrifice for the good of the organisation</td>
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<tr>
<td>▪ Equal treatment and fairness</td>
<td>▪ Trustworthiness and honesty</td>
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<tr>
<td>▪ Development and career progression opportunities</td>
<td>▪ Willingness to accept reasonable command</td>
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<tr>
<td>▪ Respect and consideration</td>
<td>▪ Consideration for others</td>
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<td>▪ Reasonable command</td>
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### ‘Old’ and ‘New’ Psychological Contracts

<table>
<thead>
<tr>
<th>Psychological contract</th>
<th>Employer offers</th>
<th>Employee offer</th>
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| **Old psychological contract** | • Future career – progression within internal labour market  
• Security  
• Duty of care | • Loyalty  
• Adequate performance  
• Acceptance of management authority |
| **New psychological contract** | • Employability via learning & development opportunities  
• Flexibility  
• Some care and welfare | • Continuous learning  
• Commitment  
• Flexibility  
• Personal responsibility for career management and progression |
What impact on employment relations

- Decline of collective and dominance of Neo and post-neo-liberal individual laissez faire
- “New psychological contract”
- Significant change in the role of management
- Increase use of flexible, non-standard forms of employment
- Greater demand for organisational commitment
- Increasing focus on internal labour market, but also weaker internal labour markets
- Individualisation of the employment relationship